



# GREEN MOUNTAIN POWER

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October 20, 2006

VIA EMAIL

Susan Hudson, Clerk  
Vermont Public Service Board  
112 State Street, Drawer 20  
Montpelier, Vt 05620

RE: EEU Participation in Regional Forward Capacity Market

Dear Ms. Hudson:

The following are Green Mountain Power's ("GMP") and Central Vermont Public Service Corporation's ("CVPS") (together the "Companies") comments in response to the Public Service Board ("PSB", "Board") memorandum dated September 28, 2006. The first question that the Board asked was whether the Board should contract with the Vermont Energy Investment Corporation ("VEIC") to become the responsible entity (and to enable itself to transact with the Independent System Operator of New England ("ISO-NE")) and to receive payments for installed energy efficiency measures that reduce capacity requirements in the newly established regional forward capacity market ("FCM"). The second question asked was how those transition payments, estimated to be \$4 million during the transition period of 2006 through 2010, should be spent.

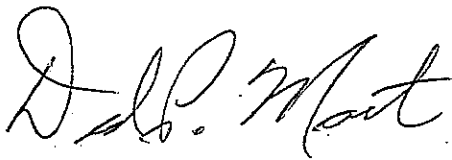
First, GMP and CVPS note that there are a number of entities, including utilities that are already existing members of the ISO-NE that could handle the paperwork required to satisfy all requirements of the FCM. Existing members already pay dues, have security clearance, and have established relationships and protocols with ISO-NE. We assume that VEIC would have to develop some, or all, of these capabilities in order to fulfill this role. As a result, we suggest that the Board issue an RFP to identify the provider that could serve this function at the lowest reasonable administrative cost. The Companies believe that VEIC should participate in this effort if it desires to fulfill this function, as

should other interested parties including utilities. Since we also recommend that the administrative costs be paid for with the monies coming from the FCM payments, this approach should permit the Board to implement the program in an efficient, market-tested manner.


Second, the Companies feel that the net funds captured in the FCM should be paid over to the EEU Fiscal Agent and held until such time as the Board makes a decision on how they should be spent. Options include using the funds to reduce the EEC needed to fund the EEU's budget in the subsequent year, increasing the budget for targeted DSM efforts, or pursuing other alternatives. Interested parties, including utilities, should be afforded the opportunity to comment on the use of such funds on an annual basis. This flexible approach would permit the Board to allocate the incremental funding in a reasonable and appropriate manner given the circumstances prevailing at the point in time when the amount of funds are known and the uses for such funds can be considered.

Thank you for the opportunity to comment.

Sincerely,



David P. Martin  
Green Mountain Power



Bruce W. Bentley / DPM  
Bruce W. Bentley  
Central Vermont Public Service GMP

cc: Act 61 - EEU Budget Service List